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The Baker initiative: the perspective of the banks

Crumbling oil prices, while good news for the world at large, leave the economic and financial plans of many oil producers — particularly Mexico — in disarray. The general character of the new difficulties facing Mexico is well known, as are its long-standing structural deficiencies. The new problems redouble the urgency for action to implement U.S. Treasury Secretary James Baker's four-month-old initiative on LDC debt. The initiative, focused on ten major debtor countries in Latin America and five elsewhere, calls for a new emphasis on policy reforms to speed their economic growth and a stepped-up flow of private and official external capital to support their development. Secretary Baker's initiative already was timely when launched last October. His fresh approach is even more relevant today.

The debt strategy pursued the past three years reached an impasse in 1985. Still, its achievements should not be belittled. The ten principal borrowers in Latin America, for example, collectively earned trade surpluses of over $100 billion during 1983-85 and greatly reduced their current account deficits (see Tables 1 and 2). Their commercial bank creditors gained a breathing space to build up their capital base and thereby lessen their own vulnerability to LDC credit problems — even while continuing to provide new money on a modest scale. In the three years ended June 1985, large U.S. money-center banks boosted their primary capital at a 13% annual average rate, versus a 3% growth rate in their claims on the ten major Latin American borrowers. As a result, in relation to capital, these banks' exposure to the ten is no higher today than in 1977 (see Chart 1). Banks in Japan, Canada, and Europe likewise have been moving to fortify their balance sheets: their collective exposure to problem country borrowers is far greater than that of the U.S. banks (see Table 3), notwithstanding popular misconceptions to the contrary.

Broadly, the debt strategy has taken the classical approach to balance of payments adjustment, seeking to strengthen export performance and curtail imports through monetary and fiscal action including realistic interest and exchange rate policies. Previous experience with the classical prescription in Europe, and in some countries in Latin America itself, suggested that trade performance should be sufficiently improved after two or three years to

Table 1

Trade balances

cumulative, billions of dollars

	1980-82	*1983-85*
Argentina	2.1	12.5
Bolivia	0.9	0.6
Brazil	—0.8	32.0
Chile	—3.4	2.0
Colombia	—4.1	—2.3
Ecuador	0.6	3.0
Mexico	—1.4	34.3
Peru	—0.1	2.3
Uruguay	—1.0	0.6
Venezuela	18.8	24.4
10 major Latin American debtors	11.5	109.3

Table 2

Current account balances

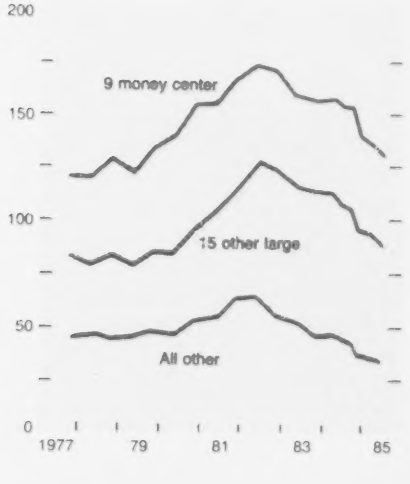
cumulative, billions of dollars

	1980-82	1983-85
Argentina	—11.8	—6.2
Bolivia	—0.5	—0.7
Brazil	—40.9	—8.0
Chile	—9.0	—4.6
Colombia	—5.1	—6.4
Ecuador	—2.8	—0.6
Mexico	—26.0	9.7
Peru	—3.3	—1.4
Uruguay	—1.7	—0.5
Venezuela	4.5	13.7
10 major Latin American debtors	—96.4	—5.0

Chart 1

U.S. banks' claims on 10 major Latin American debtor countries

as percent of primary capital



restore normal credit flows, promote repatriation of flight capital, repay exceptional financing, and allow resumption of sound economic growth.

In varying degrees, the major debtor countries have traveled the classical path the past three years. Most have succeeded in channeling more domestic resources into production for export. In *volume* terms their exports have risen considerably — though hardly spectacularly — since the global recession of 1981-82 (see Table 4). They have been fairly successful in boosting manufactured and other nontraditional exports (see Table 5), as well as raw materials. Unfortunately, the debtors on average have garnered no increase in the *dollar value* of their export earnings. In fact, in 1985 those earnings actually fell below the 1984 results. The debtors' trade balance improvement has therefore required extreme shrinkage of imports (see Table 6).

Three main factors account for the export slippage. First, several of the debtor countries have failed to maintain adequately competitive exchange rates on a consistent basis. Second, whereas 1984 was a vintage year for economic growth in the United States, 1985 saw the growth of industrial countries as a whole cut nearly in half, to well under 3%. Japan and Europe did nothing to boost their domestic growth to offset the inevitable slowing in U.S. economic expansion. Meanwhile, protectionist practices and pressures grew more pervasive. Thus, Latin America has been facing difficult conditions in its key export markets, with no guarantee that those markets will expand more vigorously in 1986. By themselves, lower oil prices should raise industrial-country growth, by about 0.5% of GNP, but it remains to be seen how policymakers will respond. Third, Latin America's export prices have continued to fall. Cumulatively, they have dropped substantially since 1981, especially for primary commodities (see Chart 2). Only during the past several months have most commodity prices started to recover, if hesitantly. In general, apart from the special case of coffee, the price recovery has been surprisingly feeble to date in light of the dollar's 20% effective depreciation since last February. For oil exporters there is, of course, no cheer in sight.

The classical adjustment strategy has proved wanting, or at best incomplete, in several dimensions. Few of the debtors have made much headway in stabilizing their internal economies. Progress in curbing budget imbalances and public-sector excesses has been spotty. Inflation remains a major worry: in both Brazil and Mexico it threatens to spiral further out of control (see Table 7); and the remarkable short-run success of Argentina's experiment has yet to be tested over the long haul. Most troubling, per capita GNP remains far below precrisis levels almost everywhere in Latin America (see Table 8). Given the shift of output into trade surpluses and the rising share of domestic savings going into interest payments on external debt, living standards and domestic investment have fallen still more. Despite Brazil's strong economic growth in 1985, hopes are slim for swift recovery in the region generally.

It can be little wonder that confidence continues at a low ebb among residents of the troubled debtors. The condition provokes capital flight and thereby weakens their overall balance of payments positions despite progress on current account. Restoration of a comfortable official reserve position once was expected to engender both confidence and reflows of flight capital. However, recovery of a reserve cushion in some cases

Table 3

External debt

as of mid-1985
billions of dollars, except as noted

	Total	Owed to banks*	Debt to U.S. banks as % of debt to banks**
Argentina	49.0	26.6	30.4
Bolivia	4.2	0.7	23.2
Brazil	103.9	77.9	30.5
Chile	21.1	13.4	49.4
Colombia	13.1	6.9	38.5
Ecuador	7.7	5.0	43.7
Mexico	96.7	71.8	36.0
Peru	14.0	5.5	38.2
Uruguay	4.7	2.0	50.1
Venezuela	31.9	25.1	42.2
10 major Latin American debtors	346.3	235.0	35.3

*Cross-border claims reported by banks in the BIS/OECD reporting area according to residence of borrower. Claims include those guaranteed or insured by residents of other countries, including official export credit agencies.

**Based on data for U.S. banks' cross-border and non-local-currency claims according to residence of borrower. These claims are net of charge-offs and are not adjusted for guarantees or other risk transfers.

Table 4

Export performance in 1985

	% change from 1984	% change from 1981-82 average	
	Value	Value	Volume
Argentina	3.7	0.2	26.7
Bolivia	—18.5	—32.1	—28.9
Brazil	—5.1	18.0	27.6
Chile	—0.3	—3.5	23.1
Colombia	9.8	19.6	14.3
Ecuador	1.4	8.8	41.6
Mexico	—11.4	4.8	16.2
Peru	—4.7	—8.3	—6.7
Uruguay	—8.1	—24.0	11.6
Venezuela	—10.4	—21.8	—21.3
10 major Latin American debtors	—6.1	1.0	11.8

seems to have led straight back to unrealistic interest and exchange rates — notorious instigators of capital flight and confidence erosion.

Accordingly, the international spotlight increasingly is trained on the continuing exodus of capital as both *symptom* and *source* of the debt problem. Capital flight often is presumed furtive, disreputable, and illegal. In fact, much occurs through legitimate channels that permit residents to acquire foreign exchange and hold overseas assets. The proof of successful adjustment would be that capital flight turns around. But no reversal is in sight for the major Latin American debtors.

In fact, most of the new money loaned to Latin America in the past three years — by private creditors, involuntarily — can be viewed as having facilitated additional capital flight (see Table 9). In the three years ended last September, non-bank residents of the ten debtor countries added $15 billion to their identifiable bank deposits abroad, bringing the total to $55 billion. Even this probably represented only about half the overall amount, other than official reserves, invested overseas by residents of debtor countries — in bank deposits, securities, real estate, and direct investment.

When their own residents are unwilling to repatriate capital or even earnings from abroad to invest at home, the debtor countries cannot expect greater willingness of their foreign creditors. Foreign creditors are unwilling to put up fresh funds, unless and until they can be confident that their resources are being put to work productively. Yet, without stepped-up investment, the debtors' hopes for adequate economic growth will go unmet, undermining confidence still further.

The Baker initiative seeks to break the impasse by encouraging the debtors to implement growth-oriented structural reforms. The World Bank is to be at center stage of the international effort. During the next three years the Bank and the Inter-American Development Bank, together, are to boost their loan disbursements by up to 50%, or $3 billion per annum, over current levels to those major debtors that adopt appropriate reforms. The Baker initiative recognizes not only the crucial link between economic growth and the mobilization of domestic and foreign capital for domestic investment, but also the link between the borrowers' policies and institutional arrangements on the one hand, and investment and growth on the other.

Stabilization and prudent demand management at the macro level — the customary focus of IMF adjustment programs — certainly are necessary for sustainable economic growth. But they are not sufficient conditions, especially now that the old model for development based on public spending and large-scale foreign borrowing is no longer viable. Under the new strategy for growth, the borrowing countries have much to work for at the micro level: efficient management and an end to dissavings in the public sector and liberation of the private sector from distorting price, wage, trade, exchange, and credit controls. In addition, foreign trade regimes should be freed of bias against exports. A positive environment should be created for foreign direct investors, to better realize their potential contribution to capital and technology transfer and the development of economies competitive in the global marketplace. Not least, basic institutional reform is needed in financial markets, to supersede their present subordination to government financing priorities by a new mission to boost domestic savings — for example, by offering attractive vehicles for thrift — and to channel credit with genuine pri-

Table 5

*Nontraditional exports**

in dollar terms

	% change 1981-82 average to 1985	As % of total exports 1981-82	1985
Argentina	22	30	37
Bolivia	—100	5	0
Brazil	24	51	54
Chile	—3	55	55
Colombia	23	52	53
Ecuador	13	6	5
Mexico	24	27	31
Peru	12	22	27
Uruguay	—14	55	65
Venezuela	70	4	10
10 major Latin American debtors	21	30	35

*Manufactures plus commodities of minor significance in 1981-82.

Table 6

Import performance in 1985

	% change from 1984 Value	% change from 1981-82 average Value	Volume
Argentina	—12.0	—45.4	—43.4
Bolivia	6.5	—11.7	—8.5
Brazil	—5.2	—36.4	—26.4
Chile	—12.4	—42.1	—34.8
Colombia	0.5	—20.7	—22.6
Ecuador	5.9	—26.9	—26.1
Mexico	20.8	—29.1	—28.9
Peru	—6.5	—46.8	—45.5
Uruguay	5.7	—41.1	—46.1
Venezuela	—9.2	—48.7	—28.1
10 major Latin American debtors	0.2	—36.9	—29.8

macy for rate of return criteria.

To make such reforms a reality, government leaders in the debtor countries will have to challenge their own entrenched bureaucracies and other powerful interests that benefit from the status quo. Sensitive distributional issues are at stake, so incentives and inducements for reform are all important. External creditors can play a key guiding and facilitating role. The World Bank, besides deploying its own financial resources, has much to contribute in bringing to bear its development expertise in the design and implementation of appropriate policy reforms — requiring, in effect, that the institution in its lending activities stress structural improvements over specific investment projects. A central role for the Bank does not mean that the IMF can or should retire from the scene. Its experience in assisting macroeconomic stabilization remains vital. Besides, to ensure good use of their money, commercial banks are seeking to link their lending with that of the Bank and Fund. The banks further wish to see official multilateral lending firmly linked to policy improvements in the borrowing countries — improvements on which the Bank and the Fund are best placed to provide advice, set performance standards, and measure progress. With reopening of private international markets for voluntary lending not yet in the offing, "linked lending" will be the operative approach for some time to come.

World Bank refocusing

To date the World Bank has been mostly on the sidelines in dealing with the debt problem. It has accelerated disbursements of some existing project loans under a Special Action Program. But the institution's organization and procedures have remained project driven, while borrowers have resisted Bank policy conditionality in addition to the IMF's. Experience shows project lending to be ineffectual for wide-ranging policy reform and institutional change. Although project negotiations may be accompanied by a broad economic policy dialogue between the Bank and the borrowing government, performance covenants usually relate directly to specific project areas. Loan disbursements are tied primarily to progress in project implementation. Even where the performance covenants go unmet the Bank has been reluctant to suspend disbursements.

Policy-based lending by the Bank began in 1980 with the introduction of Structural Adjustment Loans (SALs), followed more recently by sector loans.* Together, such loans have averaged about 10% of the Bank's annual commitments to all borrowers in recent years — well below the 20% contemplated by internal guidelines. Policy-based lending to Latin America reached substantial proportions in 1983-84 but has since fallen back (see Table 10). Putting a stronger emphasis on internal policy reform and structural adjustment will require a significant shift in Bank practices. Its Articles of Agreement state that "loans made or guaranteed by the Bank shall, ex-

*SALs prescribe a comprehensive program and agreement on policy and institutional changes affecting several sectors of the borrower's economy. For example, last year's $250 million SAL for Chile involves policy actions to promote exports, prioritize public-sector investment, improve management in state enterprises, rehabilitate the financial sector, and increase the efficiency of government employment programs. Sector loans are more narrowly focused and involve policy actions designed to improve the performance of a particular sector of the economy. For example, the Bank has extended loans to the Brazilian agricultural and industrial sectors to support policy reforms aimed at enhancing their export performance. In both forms of policy-based lending, the Banks' disbursements are made within a relatively short period, ranging from one to three years, and are tied to the carrying out of specific policy actions. The proceeds of SALs usually go into general government revenues, to a government agency for onlending, or to finance imports. The proceeds of sector loans finance a portion of the investment program of the specific sector.

Chart 2

Commodity prices

1980 = 100

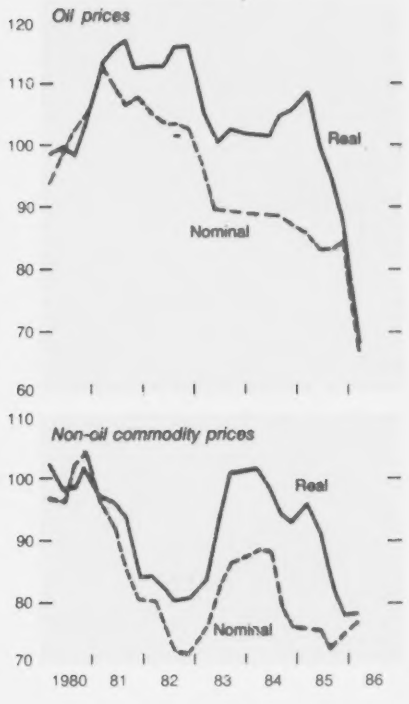


Table 7

Consumer prices

percent change from previous year, except where noted

	Dec 1981	Dec 1985	Latest 3 months annualized*
Argentina	131	385	34
Bolivia	26	8,068	495
Brazil	95	235	336
Chile	10	26	21
Colombia	26	22	16
Ecuador	17	24	20
Mexico	29	64	87
Peru	73	158	45
Uruguay	29	83	73
Venezuela	11	6	8
*10 major Latin American debtors***	58	140	121

*3 months ended January 1986 versus previous 3 months, except for Bolivia, Uruguay, and Venezuela, which are for 3 months ended December.

**1984 GDP-weighted geometric averages.

cept in exceptional circumstances, be for the purpose of specific projects for reconstruction or development." As recently as June 1985, deputies to the ministers and governors of the Group of Ten (G-10) stated their belief that the Bank's "primary emphasis must remain on project lending" although it should be "more active in encouraging external finance for investment, supporting medium-term structural adjustment, and enhancing its role as aid coordinator in developing countries."

If the Bank is to fulfill its role under the Baker initiative, its principal member governments will have to provide clear guidance and strong support for changes beyond those endorsed until now. The Bank must help the debtor countries formulate concrete objectives and specific commitments, including firm timetables for policy actions that can be monitored. Loan disbursements should be tied to early progress on critical issues. The Bank must be more willing than in the past to withdraw financial support from borrowers departing from agreed commitments. The Bank also needs to reinforce the message from other creditors, notably commercial banks, that without evidence of policy improvement and credible assurance that funds will be used productively, the debtor countries will not attract their desired external financing.

The Bank's success in the context of the Baker initiative also will be judged by its ability to mobilize complementary financing from commercial banks and other external creditors. The Bank will have to make known to commercial banks both its eligibility standards for policy-based loans and the specific performance criteria for assessing compliance and triggering disbursements. Equally important, sanctions for noncompliance have to be spelled out. Moreover, in cofinancing or parallel lending with commercial banks, the Bank also will have to be more flexible in adapting its "preferred creditor status." In particular, the commercial banks want the Bank to tighten cross-default clauses in its loan contracts, to share interest and principal receipts, and to suspend all disbursements when parallel commercial bank debt is not being serviced.

For now, the Bank has sufficient resources and authorized capital to expand its lending in line with the Baker initiative as presently conceived. However, by late 1987 the Bank may need an increase in capital. Member governments' support, particularly that of the United States, will depend importantly on whether the institution is successful in working jointly with the borrowing countries and the commercial banks. The Inter-American Development Bank's need for additional capital is more immediate. Secretary Baker has conditioned U.S. support on a firm commitment by that organization to strengthen its lending policies in support of debtor-country reforms. Amid U.S. budgetary stringencies, both institutions must mount a highly effective response to the Baker initiative if U.S. support is to be forthcoming when capital increases are needed.

Bridging the IMF and World Bank

For the debtor countries, internal and external macroeconomic stability — the primary objective of the IMF — is prerequisite to effective structural adjustment and satisfactory economic growth. Thus, the policy advice and programs of the two institutions should be coordinated to be consistent and mutually reinforcing. This has not always been the case. What is needed are continuous exchange of information

Table 8

Economic growth

	Real GNP % per annum			Real GNP per capita % change from early 1980s' peak to
	1982-83	1984	1985	1985
Argentina	—1.0	2.4	—4.0	—16.8
Bolivia	—5.9	—3.2	—3.1	—28.4
Brazil	—1.1	4.5	7.5	—3.4
Chile	—7.4	6.3	1.0	—14.4
Colombia	1.0	3.2	2.0	—0.9
Ecuador	—0.9	4.1	2.5	—6.6
Mexico	—2.9	3.7	3.9	—8.0
Peru	—5.6	4.5	2.5	—14.2
Uruguay	—7.1	—1.8	0.0	—18.0
Venezuela	—2.5	—1.4	—0.4	—19.3
10 major Latin American debtors	—2.1	3.3	3.4	—7.2

Table 9

Capital flight and net new borrowing

cumulative flows during 1983-85 billions of dollars

	Capital flight*	Net new borrowing**
Argentina	0.1	6.5
Bolivia	0.3	1.0
Brazil	6.6	20.2
Chile	—0.6	3.9
Colombia	0.7	3.2
Ecuador	0.6	1.3
Mexico	16.2	9.0
Peru	1.1	2.9
Uruguay	0.2	0.5
Venezuela	5.5	—4.2
10 major Latin American debtors	30.8	44.2

*Includes unrecorded trade transactions and valuation changes in debt and official reserves due to exchange rate movements; minus sign indicates net inflows.

**Increase in gross external debt from end-1982 to end-1985; minus sign indicates net repayment of debt.

and analysis at both management and staff levels, joint missions to the debtor countries, close collaboration in designing programs and setting conditions, and shared responsibility for monitoring performance.

In the corporate world, strong complementarity and a compelling rationale for cooperation often lead to mergers or joint ventures. At a minimum, the Fund and Bank require a strong bridge in the form of substantive commonality of program objectives and performance criteria. The particular forms of Fund and Bank involvement in individual countries will vary over time and from case to case. In some instances, "enhanced surveillance" provides a satisfactory basis for Fund policy advice and performance monitoring in conjunction with Bank lending. In others, the Fund's formal standby or extended facility programs may be needed as well. At all events, the banks deem essential a continuing central role for the Fund.

The Fund, like the Bank, has large resources available for lending. Its holdings of G-10 currencies totaled more than $32 billion at the end of 1985. It has more than $18 billion available under the General Arrangements to Borrow with the G-10 plus Switzerland. In addition, the Latin American countries singled out in the Baker initiative are scheduled to repay more than $6 billion to the Fund over the next three years (see Table 11). All have substantial unutilized borrowing capacity at the Fund. Current rules allow total borrowings up to a maximum of 400% to 440% of quota, plus drawings under the compensatory financing facility. Exceptionally, the Fund can approve standby or extended facilities in excess of these limits. Although not all debtor countries need additional Fund money, some do. The Fund has resources, and they should be put to use.

Commercial banks and their regulators

Critical for the banks are the attitudes and actions of bank regulators. Regulators must recognize the folly of penalizing banks for lending new money within the framework of the Baker initiative. Right now, regulators in many countries are taking steps that do just that — an issue to be faced head on.

In the United States, the Comptroller of the Currency, who is responsible for regulating nationally chartered banks, has told bank managements and boards of directors that their existing credits to many debtor countries should be treated as problem loans, and that any new credits to those borrowers should be labeled the same way. The logic of Secretary Baker and Federal Reserve Chairman Volcker is more compelling. Both maintain that, in appropriate circumstances, new lending can help improve the quality of credits already on the books.

U.S. regulators also insist that banks build up their capital, including their loan loss reserves, just when the Administration has introduced legislation to eliminate the already limited tax deductibility of provisions for possible losses. Losses would be deductible only as they occur. Moreover, reserves arising from previous years' tax deductible provisions for possible losses would have to be taken into taxable income over the next ten years. Although many banks already have made provisions in excess of those that are tax deductible, the reduced incentive for banks to make adequate provisions runs directly counter to regulatory objectives. Plainly, the regulators should be working with the Treasury Department to devise ways to achieve their objectives without jeopardizing the flow of new money.

Banks in other industrial coun-

Table 10

World Bank lending to 10 major Latin American debtors

millions of dollars

	Annual averages		
	1980-82	*1983-84*	*1985*
*Total commitments**	2,533	2,904	3,399
Of which:			
policy-based	68	916	368
(% of total)	3	32	11
*Net disbursements***	975	1,615	1,661
Argentina	46	23	75
Bolivia	36	1	—1
Brazil	299	935	351
Chile	13	14	212
Colombia	169	234	424
Ecuador	29	36	16
Mexico	320	299	505
Peru	81	68	91
Uruguay	4	24	11
Venezuela	—22	—19	—22

*Fiscal years.
**Calendar years. Gross disbursements minus repayments.

Table 11

Use of IMF credit

as of December 31, 1985
billions of dollars

	Loans outstanding	*Potential borrowings**	*Gross repayments scheduled for 1986-88*
Argentina	2.31	3.45	1.33
Bolivia	0.05	0.37	0.05
Brazil	4.62	3.13	2.30
Chile	1.09	1.25	0.70
Colombia	0.0	1.73	0.0
Ecuador	0.36	0.40	0.22
Mexico	2.97	2.15	0.91
Peru	0.70	1.05	0.42
Uruguay	0.35	0.49	0.19
Venezuela	0.0	6.03	0.0
10 major Latin American debtors	12.45	20.04	6.11

*Up to 400% of quota, excluding borrowings under the compensatory facility.

tries also have raised regulatory issues in connection with their expressions of support for the Baker initiative. In Canada, Japan, and several European nations, officials have required banks to establish sizable reserves against loans to a long list of countries. These reserves apply to new loans as well as old. As a result, a bank making a new loan must immediately take a charge against its earnings, a charge that often is not tax deductible. Canadian banks, for example, have been required by the Inspector General of Banks to set up reserves by the end of 1986 equal to between 10% and 15% of their exposures to 32 nations involved in debt rescheduling. The Japanese Ministry of Finance has called upon Japanese banks to provide loan loss reserves out of after tax profits of up to 5% of their exposures from new as well as existing loans to 33 countries. In Europe, the Dutch supervisory authorities have called for specific loss provisions ranging from 5% to 100% against loans to more than 20 countries. The Swiss Federal Banking Commission has grouped countries in three risk categories, issuing guidelines for loan loss provisions ranging from 10% to 50% and averaging about 20%. Such requirements are hardly an incentive to make new loans.

Even if regulatory hurdles are cleared, the cooperation of all the banks with credit outstanding to the debtor countries will not be readily achieved. Virtually all large international banks realize that it is in their best interest to continue to work closely with the borrowing countries toward a solution to their debt problem. However, some of the smaller or regional banks — many in the United States as well as some abroad — have a different perspective. They have relatively small exposures and often no interest in continuing to do business with some countries. Even if they can be persuaded to roll over existing loans, they are loath to advance any new money. Fortunately, these banks hold a relatively small proportion of the outstanding loans to most debtor countries, and their pro rata share of any new money loans would be correspondingly modest. For example, in previous new money packages for several major Latin American debtor countries, smaller lenders representing 70%-75% of the total number of participating banks accounted for only 10% of the total amount of new money commitments.

One approach would allow them simply to drop out of future new credits. This poses several questions: where to make the cutoff between participants and nonparticipants; how to prevent the cutoff from being too high or from steadily creeping up; and who will take up the shortfall.

Another approach, perhaps in combination with a cutoff point, would give some of the smaller participants the choice of limiting their new lending to just a few countries where they have continuing business interests — for example, trade financing for domestic customers, or long-standing correspondent banking relationships. Still another avenue being explored would give banks the option of putting their pro rata share of new money into a series of loans that would be disbursed to individual countries in conjunction with World Bank structural adjustment and sector policy loans. These banks might purchase participations in specific Bank loans, but without recourse to the Bank. To some bank managements and boards of directors, such parallel lending might be more acceptable than independent lending. It also might qualify for different regulatory treatment.

Table 12

Earnings repatriation versus interest rate decline

billions of dollars

	Identifiable nonbank residents' deposits in foreign banks		*Net payments impact of one-percentage-point decline in interest rates**
	Outstandings as of Sep 1985	*Estimated interest earnings (at 7½%)*	
Argentina	8.2	0.62	0.28
Bolivia	0.4	0.03	0.01
Brazil	8.5	0.64	0.61
Chile	2.2	0.17	0.16
Colombia	2.6	0.20	0.05
Ecuador	1.3	0.10	0.04
Mexico	15.3	1.15	0.72
Peru	1.5	0.11	0.04
Uruguay	2.0	0.15	0.01
Venezuela	12.6	0.94	0.11
10 major Latin American debtors	54.6	4.10	2.03

*Based on estimated end-1985 net floating-rate debt (gross floating-rate external debt minus official foreign exchange reserves and foreign assets of commercial banks).

Responsibilities of industrial-country governments

The Baker initiative says nothing of direct provision of credit by industrial-country governments. Nonetheless, commercial banks expect them to participate, chiefly through the active support of official export credit agencies. Hitherto, many of these agencies have been anything but supportive. Their policies have been uncoordinated. Several have suspended or restricted export financing and credit insurance. They have taken little heed of debtor progress in implementing adjustment programs — even countries complying with IMF conditions and with a Paris Club rescheduling in place have tended to find their access restricted, especially to medium- and long-term credits. Banks feel strongly that official export credit agencies should add their financial support to that of other creditors in assisting debtor countries that undertake stabilization and growth-oriented structural adjustment programs within the Baker initiative framework. Restrictions should be lifted on access to official export cover. And the facilities should be administered with enough flexibility to ensure increased usage.

More important, industrial-country governments need to secure satisfactory economic growth themselves and keep their markets open to developing-country producers. Otherwise the debtor countries will suffer depressed prices for their exports and will fail to achieve the export-led growth that builds debt-servicing capacity. Despite protectionist sins of its own, the United States has boosted its imports from the major debtor countries very substantially during the past three years. By contrast, sluggish domestic demand growth and protectionist practices have stifled any significant increase in the imports of Japan and Europe from those same debtors. Plainly, the Baker initiative demands more growth-oriented policies not only in the debtor countries but in Japan and Europe as well. Equally, it requires that the major countries press on toward active negotiations to bring down trade barriers — preferably with the positive participation of the debtor countries, which have as much to gain as any from liberalized trade.

Growth-oriented policies in the industrial countries should extend to further declines in international interest rates. Rates may well decline as the financial markets respond to the evidence of continuing low inflation, newly fortified by the drop in oil prices. Each one-percentage-point drop in short-term interest rates reduces the net interest payments of the ten Latin American debtors by $2 billion. Of course, future interest rate declines are no certainty and depend heavily on the monetary policies of the major countries. What should be remembered is that the debtors already are in line for substantially reduced interest payments by virtue of the sharp drop in dollar interest rates during the past 18 months. Accordingly, there now is less reason to complain of the interest cost burden. In fact, as Table 12 makes clear, many of the debtors would benefit more by repatriation of the earnings on nonbank residents' foreign bank deposits, not to mention return of flight capital, than by any plausible further decline in interest rates.

Conclusion

The Baker initiative has drawn strong endorsements from the heads of the Bank and the Fund. In addition, the principal commercial bank creditors now have agreed in principle to lend new money as needed

on a case-by-case basis. However, other essential participants have been less forward or specific. Governments of most major industrial countries have been silent on their own intentions, for example concerning export credit policies. Their supervisory and revenue agencies still maintain policy positions that discourage the new lending sought from the commercial banks. For their part, governments of the debtor nations, as exemplified by the declaration of the Group of Cartagena, display scant commitment to domestic policy reforms. Unless all parties come together in reasonably short order and with real credibility, it will be difficult to translate the Baker initiative into a workable plan, let alone into working practice.

The urgency of moving the initiative into practice is heightened by the pressing needs of several major debtors, especially Mexico. Mexico has attained neither sustainable and satisfactory economic growth nor the normalization of financial flows. It now provides a proving ground for the Baker initiative. With oil prices sharply lower, and perhaps not yet at bottom, Mexico cannot adjust merely by stepping up oil production. Instead, it will have to speed diversification of its export base and strengthen its agricultural and industrial sectors across the board. This is partly a matter of correcting public-sector inefficiencies and curbing the pervasive reach of government over its private sector — steps much needed to improve the allocation of scarce resources. It also is a matter of expanding the pool of resources, from both domestic savings and foreign investment.

Although Mexico's needs for external financing are not yet agreed with any precision, it is vital they be addressed within the Baker initiative framework. Thus, all major groups of foreign creditors — official and private — have important roles to play: the World Bank, for its experience in the design and implementation of structural and microeconomic policy improvements, as well as its lending capacity; the Fund, for its stabilization advice and balance of payments financing capability; the commercial banks, through lending linked with that of the Bank and Fund; and industrial-country governments, through their special financing facilities, their Paris Club and export credit policies, their supervisory actions vis-à-vis financial institutions, and their overall position of leadership in the world economy. Mexico, for its part, should seize this moment to mount a determined drive for politically sensitive, but nonetheless essential, economic reforms. Amid the broad external support promoted by the Baker initiative, internal reforms can open up investment and growth opportunities within Mexico, strengthen the confidence of its residents and foreigners alike, and create an economy competitive in the world marketplace.

Statistical appendix

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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Nominal effective exchange rates

Index numbers, 1980-82 average=100.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
1981	99.5	100.2	105.8	104.0	100.4	97.2	98.8	102.1	98.9	101.8	97.1	99.4	98.3	99.2	100.1	103.3
1982	109.8	99.4	98.6	100.1	93.1	102.8	92.8	98.1	101.7	92.3	102.7	94.1	106.3	95.7	101.7	92.8
1983	114.2	100.8	107.8	92.0	87.3	107.6	90.3	91.6	103.6	90.0	105.0	78.4	111.5	96.4	99.4	82.2
1984	122.4	97.3	113.0	94.2	84.4	107.4	86.7	88.1	103.6	88.9	104.0	77.4	110.5	93.9	97.8	84.3
1985	127.1	92.8	115.8	76.3	85.4	107.7	82.2	88.2	104.2	89.5	103.9	75.6	109.5	95.0	95.6	83.9
1985																
February	136.4	95.3	110.0	86.8	83.5	105.8	85.4	81.4	103.3	89.3	102.5	77.6	105.9	94.4	95.8	85.5
March	136.9	93.2	111.3	81.5	83.7	105.9	83.7	84.0	103.0	89.0	102.5	77.2	105.8	94.3	95.7	84.6
April	131.7	93.6	111.5	74.2	84.5	106.7	83.0	88.1	103.8	89.2	102.9	77.5	106.0	94.5	96.0	83.6
May	132.0	92.9	111.5	76.3	84.4	106.5	82.9	89.2	103.5	89.0	102.9	76.5	107.4	93.7	96.0	83.8
June	130.5	93.2	112.2	74.2	84.4	106.5	83.0	90.4	103.6	88.9	103.0	76.3	107.6	94.3	95.8	83.8
July	126.1	93.5	113.1	75.4	85.2	107.1	81.4	93.6	103.8	89.0	103.5	75.5	110.2	94.5	95.7	83.6
August	124.0	92.8	113.6	75.4	86.3	108.7	80.0	91.4	104.7	89.6	104.8	75.2	112.2	95.0	95.6	83.1
September	125.2	92.1	114.9	74.0	86.3	108.6	79.9	91.3	104.7	89.6	104.6	74.1	109.9	94.9	95.7	83.4
October	118.9	91.3	123.6	71.8	87.3	109.8	80.1	89.9	105.2	90.1	105.4	73.1	113.3	96.1	95.3	83.1
November	117.0	90.3	129.5	67.9	87.6	109.9	80.2	89.7	105.2	90.5	105.6	72.8	113.4	96.5	94.8	83.3
December	116.1	88.9	129.2	67.8	88.3	111.3	80.2	88.3	105.9	90.4	106.7	72.9	112.3	97.3	94.9	83.1
1986																
January	115.0	87.9	130.2	69.1	88.8	112.5	81.0	85.3	106.5	91.0	107.6	73.2	112.1	97.7	94.8	82.7
December 27	116.1	88.5	129.3	68.0	88.3	111.8	80.5	87.1	106.1	90.5	107.0	72.6	112.3	97.6	94.8	83.2
January 3	115.1	88.3	129.8	67.4	88.6	112.2	80.7	86.7	106.2	90.8	107.4	73.0	112.5	97.9	94.7	82.9
10	115.2	88.4	128.9	68.3	88.7	112.2	80.8	86.8	106.4	90.8	107.4	73.2	111.7	97.7	94.8	82.8
17	115.6	88.2	128.7	69.0	88.5	112.0	80.7	86.5	106.3	90.8	107.5	73.2	111.7	97.3	94.7	82.8
24	115.4	88.0	130.0	70.4	88.9	112.7	81.2	83.7	106.5	91.2	107.8	73.2	112.3	97.6	94.9	82.7
31	113.9	86.9	133.3	69.9	89.4	113.2	81.5	82.8	106.7	91.4	108.0	73.2	112.6	97.9	95.0	82.4
February 7	113.9	86.7	135.7	68.3	81.6	113.1	82.2	89.4	106.7	91.5	107.9	73.2	112.7	97.9	95.2	82.5

Real effective exchange rates – industrial countries

Index numbers, 1980-82 average=100.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
1981	100.6	100.0	104.6	102.7	100.1	97.3	98.7	102.3	99.1	100.3	97.6	99.4	98.7	99.2	100.9	102.1
1982	109.9	100.4	92.3	104.3	97.8	99.2	97.8	97.9	100.7	92.3	102.5	99.8	102.6	97.3	102.5	96.7
1983	112.7	103.1	96.6	100.0	96.1	99.3	100.1	92.0	101.7	92.0	101.8	90.6	104.4	98.8	101.3	91.5
1984	118.2	101.2	97.6	105.1	96.8	96.5	101.1	89.3	102.7	90.9	100.0	95.0	99.4	96.5	100.1	96.9
1985	121.3	97.4	96.4	88.8	99.6	95.4	99.7	91.9	102.9	90.2	98.2	97.4	97.7	98.1	99.1	98.0
1985																
February	129.7	100.0	93.5	97.9	97.0	94.5	101.7	83.8	102.0	91.4	97.1	98.5	95.0	96.3	98.0	100.2
March	129.6	98.1	94.0	92.5	97.6	94.0	99.8	86.5	101.6	91.7	97.0	98.0	95.5	97.4	98.3	99.6
April	125.1	98.3	93.6	84.9	98.7	94.6	99.6	91.2	102.4	91.3	97.4	98.8	96.3	98.3	98.5	98.0
May	126.0	97.2	92.9	88.3	99.1	94.3	100.0	92.3	101.9	90.3	97.3	97.7	95.3	97.6	99.3	98.0
June	124.7	97.7	93.1	86.5	98.4	94.2	100.8	93.9	102.2	90.8	97.4	97.9	95.7	97.2	99.1	97.5
July	120.6	97.8	93.6	88.5	99.5	94.6	99.3	97.7	102.8	90.0	97.8	97.0	97.7	96.6	99.0	97.4
August	118.4	97.4	94.1	89.2	101.2	96.0	97.7	95.8	103.6	89.6	99.0	96.9	99.3	97.5	98.1	97.0
September	118.0	97.7	95.5	87.7	100.6	96.1	98.1	95.9	103.5	89.6	98.7	96.8	98.0	97.8	100.5	97.0
October	114.2	95.6	101.3	85.2	101.7	96.7	98.5	94.5	104.0	89.2	99.3	95.6	101.3	100.2	99.7	97.0
November	112.8	94.3	105.5	80.9	101.9	96.8	98.9	94.6	104.1	88.9	99.3	95.9	101.3	100.5	100.1	97.1
December	111.9	92.9	105.1	81.0	102.6	98.1	99.3	93.2	105.1	88.3	100.3	96.5	100.6	100.4	100.6	96.8
1986																
January	111.3	91.7	905.2	82.9	103.1	99.0	100.6	90.2	105.7	88.3	101.1	97.3	100.7	101.2	101.0	96.5

Real effective exchange rates – developing countries

Index numbers, 1980-82 = 100

	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	Hong Kong	Indonesia	Korea	Malaysia	Philippines	Singapore	Taiwan	Israel	Turkey
1981	107.7	103.2	108.1	100.4	114.1	103.2	99.6	99.4	99.6	101.2	99.3	101.2	102.7	102.6	99.2	104.4
1982	76.5	112.0	96.6	104.8	81.9	103.7	109.1	102.2	110.8	102.9	104.5	105.5	98.7	96.5	107.7	95.4
1983	71.2	85.6	88.7	104.0	78.0	97.7	116.1	96.6	95.7	97.3	112.7	95.1	97.1	93.1	119.4	92.8
1984	80.0	85.5	89.8	99.3	91.5	105.6	85.6	100.3	96.7	95.9	119.1	107.4	95.8	95.5	118.3	90.6
1985	71.0	84.7	79.3	85.2	90.1	96.7	93.2	106.2	94.7	88.5	115.8	115.1	89.6	92.9	105.6	90.9
1985																
January	75.0	94.1	88.1	99.0	97.8	99.2	90.3	108.8	100.0	97.0	120.5	118.4	95.7	98.3	109.4	99.0
February	74.9	93.1	89.6	99.7	100.2	100.1	94.4	111.5	101.2	97.9	119.4	123.5	95.7	99.5	119.4	102.3
March	76.5	96.6	82.8	96.5	100.9	99.2	94.3	112.1	99.9	96.2	118.1	123.4	95.7	98.6	115.9	101.5
April	76.2	88.9	81.4	91.4	98.9	95.9	92.4	108.7	98.6	92.1	118.4	118.7	94.4	96.1	112.5	96.3
May	76.6	84.1	82.7	88.9	97.9	99.5	93.6	108.9	98.2	91.0	118.9	117.4	93.2	95.1	104.5	94.1
June	75.5	80.9	84.7	86.6	97.4	99.2	93.4	108.1	98.0	90.0	118.4	116.9	91.4	94.5	105.2	90.0
July	67.9	78.8	76.7	83.4	93.9	97.3	92.8	105.3	95.1	87.7	116.2	112.9	87.8	91.8	99.1	86.5
August	67.1	80.6	74.1	81.6	82.0	90.8	92.8	103.3	93.5	85.9	114.6	111.9	86.2	90.2	98.4	85.2
September	67.8	80.9	75.6	80.7	82.7	94.9	94.2	104.9	93.6	86.0	115.4	111.3	86.9	90.9	101.7	86.2
October	65.1	79.4	73.0	74.9	78.8	93.6	94.1	101.6	87.7	81.9	110.7	106.0	84.3	87.6	100.6	85.1
November	64.2	80.4	72.3	73.6	77.3	94.6	93.1	100.9	86.2	80.5	109.8	112.5	83.1	87.0	101.2	84.8
December	63.8	80.1	70.9	72.2	74.3	96.4	92.8	100.4	85.8	78.5	109.0	108.9	82.1	86.2	100.4	82.3

International banking market size

at end of period, billions of dollars

	1981	1982	1983	1984			1985		
				Jun	Sep	Dec	Mar	Jun	Sep
Gross claims									
Eurocurrencies, on residents and nonresidents	**1 929**	**2 146**	**2 253**	**2 330**	**2 322**	**2 359**	**2 457**	**2 442**	**2 5**
On nonbanks	557	634	665	679	676	694	706	706	74
On banks	1 372	1 512	1 588	1 651	1 646	1 665	1 751	1 723	1
In dollars	1 504	1 694	1 797	1 850	1 857	1 894	1 944	1 908	1 978
In other currencies	425	452	456	480	465	465	513	534	620
Domestic currencies, on nonresidents	**365**	**398**	**398**	**406**	**393**	**397**	**402**	**417**	**443**
On nonbanks	128	132	136	140	138	137	140	144	157
On banks	237	266	262	266	255	260	262	273	286
In dollars	188	211	217	218	208	210	201	204	197
In other currencies	177	187	181	188	185	187	201	213	246
Total	**2 294**	**2 544**	**2 651**	**2 736**	**2 715**	**2 756**	**2 859**	**2 859**	**3 041**
On nonbanks	685	766	801	819	814	831	846	863	900
On banks	1 609	1 778	850	1 917	1 901	1 925	2 013	1 996	2 141
In dollars	1 692	1 905	2 014	2 068	2 065	2 104	2 145	2 112	2 175
In other currencies	602	639	637	668	650	652	714	747	866
Gross liabilities									
Eurocurrencies, to residents and nonresidents	**1 954**	**2 168**	**2 278**	**2 360**	**2 349**	**2 386**	**2 477**	**2 462**	**2 621**
To nonbanks	372	432	479	503	492	497	508	509	529
To official monetary institutions	112	91	88	88	94	96	96	106	109
To other banks	1 470	1 645	1 711	1 769	1 763	1 793	1 873	1 847	1 983
In dollars	1 539	1 741	1 846	1 905	1 912	1 950	1 998	1 960	2 026
In other currencies	415	427	432	455	437	436	479	502	595
Domestic currencies, to nonresidents	**263**	**250**	**258**	**277**	**274**	**277**	**289**	**306**	**336**
To nonbanks	74	70	71	71	72	77	78	85	98
To banks	189	180	187	206	202	200	211	221	238
In dollars	126	116	133	140	140	143	143	150	154
In other currencies	137	134	125	137	134	134	146	156	182
Total	**2 217**	**2 418**	**2 536**	**2 637**	**2 623**	**2 663**	**2 766**	**2 768**	**2 957**
To nonbanks	446	502	550	574	564	574	586	594	627
To banks and official institutions	1 771	1 916	1 986	2 063	2 059	2 089	2 180	2 174	2 330
In dollars	1 665	1 857	1 979	2 045	2 052	2 093	2 141	2 110	2 180
In other currencies	552	561	557	592	571	570	625	658	777
Net market size	**1 155**	**1 285**	**1 377**	**1 417**	**1 407**	**1 425**	**1 447**	**1 477**	**1 556**

International bond issues and bank credits

millions of dollars

	1982	1983	1984	1985			Jan-Dec	
				Oct	Nov	Dec	1985	1984
By country of borrower								
Industrial countries	**108 772**	**102 652**	**177 077**	**25 412**	**23 698**	**19 685**	**225 676**	**177 077**
Australia	7 213	5 737	5 816	917	4 066	882	14 407	5 816
Austria	2 068	1 290	2 254	317	80	108	2 435	2 254
Belgium	1 528	2 168	1 847	57	283	784	3 209	1 847
Canada	15 856	8 571	13 124	1 063	2 317	356	17 184	13 124
Denmark	2 725	3 941	4 825	460	229	86	3 589	4 825
Finland	1 446	1 271	1 713	233	34	386	1 829	1 713
France	14 813	8 626	11 298	1 412	685	1 947	18 773	11 298
Germany	1 101	3 197	2 165	650	154	597	3 452	2 165
Greece	808	1 291	1 551	—	—	—	1 588	1 551
Ireland	1 136	1 869	1 377	123	326	217	1 913	1 377
Italy	6 687	4 876	6 933	742	572	1 220	11 008	6 933
Japan	8 397	14 [illegible]	17 526	2 244	1 927	909	21 269	17 526
Netherlands	1 000	1 213	1 973	81	424	113	2 299	1 973
New Zealand	4 786	802	3 208	72	657	156	2 707	3 208
Norway	2 601	1 969	1 324	150	377	375	3 905	1 324
Portugal	1 684	1 030	1 796	88	—	700	2 382	1 796
South Africa	1 889	1 300	1 422	—	—	—	825	1 422
Spain	2 675	4 977	4 931	46	20	286	3 848	4 931
Sweden	3 181	7 144	11 256	876	478	213	9 822	11 256
United Kingdom	2 836	2 726	8 899	2 465	4 229	1 438	25 329	8 899
United States	21 109	20 276	65 054	13 107	5 888	8 422	68 312	65 054
*Other**	3 233	3 950	6 785	304	931	492	5 592	6 785
Developing countries	**49 023**	**38 256**	**39 725**	**1 854**	**3 861**	**2 225**	**31 777**	**39 725**
Latin American countries	**29 667**	**15 592**	**17 464**	**94**	**1 371**	**1 060**	**8 104**	**17 464**
Argentina	1 565	1 750	4 212	—	—	—	3 700	4 212
Brazil	5 972	4 475	6 649	—	—	—	—	6 649
Chile	1 194	1 405	784	—	1 085	—	1 085	784
Colombia	776	552	589	—	—	1 000	1 052	589
Mexico	9 968	5 138	3 918	—	49	60	109	3 918
Venezuela	7 241	237	—	48	—	—	48	—
*Other***	2 951	2 035	1 312	46	237	—	2 110	1 312
Asian countries	**11 723**	**12 978**	**15 893**	**903**	**2 227**	**764**	**18 276**	**15 893**
India	555	968	945	27	214	—	718	945
Indonesia	1 822	2 363	1 924	—	—	—	451	1 924
Korea	3 277	4 387	6 201	509	553	130	5 898	6 201
Malaysia	2 872	2 197	2 605	41	466	—	2 220	2 605
Philippines	888	878	925	—	—	—	925	925
Thailand	414	747	1 221	—	96	300	1 497	1 221
Other	1 895	1 438	2 072	326	899	334	6 568	2 072
Middle Eastern and African countries	**7 633**	**9 686**	**6 368**	**858**	**264**	**401**	**5 397**	**6 368**
Algeria	86	1 993	821	—	—	150	1 450	821
Nigeria	2 069	2 343	985	—	—	—	—	985
Turkey	277	1 106	741	111	264	138	1 167	741
Other	5 201	4 244	3 821	746	—	113	2 781	3 821
Eastern European countries	**1 479**	**1 294**	**3 244**	**125**	**302**	**711**	**5 238**	**3 244**
Hungary	340	741	1 386	—	—	415	1 578	1 386
Soviet Union	1 131	93	1 051	—	152	146	1 489	1 051
*Other****	8	460	807	125	150	150	2 169	807
International organizations****	**11 353**	**16 201**	**13 287**	**1 890**	**1 126**	**1 898**	**20 635**	**13 287**
By type of instrument and currency								
International bond issues	**78 042**	**76 329**	**107 411**	**17 246**	**17 518**	**11 807**	**167 719**	**107 411**
Eurobonds	51 645	48 501	79 458	12 908	13 933	10 163	136 746	79 458
U.S. dollar	43 959	38 428	63 593	7 670	10 136	6 593	97 782	63 593
German mark	2 588	3 817	4 604	1 483	1 897	1 114	9 491	4 604
British pound	748	1 947	3 997	797	639	525	5 766	3 997
Japanese yen	374	212	1 212	1 109	—	1 078	6 539	1 212
European composite units	1 980	2 019	3 032	849	549	363	7 038	3 032
Other	1 996	2 078	3 020	1 002	712	490	10 129	3 020
Foreign bonds	26 397	27 828	27 953	4 338	3 584	1 644	30 973	27 953
U.S. dollar	5 946	4 545	5 487	564	650	—	4 655	5 487
German mark	2 952	2 671	2 243	—	248	120	1 741	2 243
British pound	1 214	811	1 292	—	284	—	958	1 292
Swiss franc	11 432	14 299	12 626	2 792	1 698	1 309	14 939	12 626
Japanese yen	3 413	3 772	4 628	912	282	98	6 342	4 628
Other	1 435	1 730	1 677	70	423	116	2 339	1 677
International bank credits	**92 585**	**82 074**	**125 922**	**12 035**	**11 469**	**12 712**	**115 605**	**125 922**
Eurocurrency credits	85 015	74 222	112 605	11 522	10 095	12 563	109 025	112 605
Foreign credits	7 570	7 852	13 317	514	1 374	150	6 580	13 317
Total	**170 627**	**158 403**	**233 333**	**29 282**	**28 987**	**24 519**	**283 324**	**233 333**

*Includes multinational organizations. **Includes unallocated. ***Includes COMECON institutions. ****Includes regional development organizations.

Eurocurrency deposit rates

prime banks' bid rates, at or near end of month

	1982	1983	1984	1985						1986
	Dec	Dec	Dec	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Eurodollar										
overnight	9.25	9.50	8.63	8.50	7.56	8.38	7.88	7.88	12.25	7.88
one month	9.13	9.69	8.38	7.94	7.94	7.94	7.88	8.06	8.00	7.94
three months	9.19	9.81	8.63	8.19	8.00	8.06	7.94	8.06	7.88	7.94
six months	9.50	10.06	9.13	8.44	8.13	8.31	8.00	8.06	7.88	8.00
twelve months	9.63	10.38	9.81	8.88	8.56	8.56	8.25	8.17	7.94	8.13
Euro-Canadian dollar										
one month	10.00	9.13	9.88	8.69	8.75	8.38	8.31	8.88	9.00	10.69
three months	10.00	9.50	10.81	8.94	8.94	8.69	8.38	8.88	9.00	10.69
six months	10.13	9.75	10.06	9.31	9.19	9.06	8.56	8.94	9.00	10.44
twelve months	10.25	10.00	10.44	9.50	9.50	9.38	8.94	9.06	9.00	10.31
Euro-French franc										
one month	23.00	12.13	10.69	14.00	9.88	9.63	9.19	9.63	12.50	15.00
three months	24.00	12.19	10.69	14.00	10.63	10.50	9.63	9.75	13.00	16.25
six months	22.00	12.31	11.00	13.75	11.50	10.88	10.63	10.25	13.13	13.75
twelve months	19.75	12.63	11.38	13.00	11.75	11.25	10.88	10.25	12.25	12.75
Euromark										
one month	5.88	5.25	5.50	4.69	4.50	4.44	4.69	4.69	4.75	4.56
three months	5.88	5.88	5.50	4.81	4.50	4.50	4.63	4.69	4.75	4.57
six months	5.94	6.13	5.56	4.94	4.56	4.63	4.94	4.75	4.75	4.57
twelve months	6.00	6.38	5.56	5.00	4.69	4.75	5.06	4.88	4.81	4.63
Euro-Dutch guilder										
one month	5.13	5.81	5.69	6.06	5.75	5.69	6.13	5.75	5.75	5.69
three months	5.19	6.00	5.75	6.00	5.69	5.69	6.19	5.75	5.75	5.69
six months	5.38	6.25	5.81	6.00	5.69	5.69	6.19	5.88	5.81	5.69
twelve months	5.63	6.38	5.94	6.00	5.69	5.69	6.25	5.94	5.88	5.75
Euro-Swiss franc										
one month	2.81	3.38	4.44	4.38	4.44	4.19	3.88	4.00	3.88	4.06
three months	3.25	3.75	4.56	4.50	4.56	4.50	4.44	4.00	4.00	4.06
six months	3.44	3.94	4.63	4.63	4.69	4.63	4.50	4.00	4.00	4.06
twelve months	3.44	3.94	4.69	4.69	4.63	4.63	4.56	4.06	4.06	4.13
Eurosterling										
one month	10.56	9.13	9.50	11.50	11.88	11.63	11.56	11.63	11.69	12.75
three months	10.44	9.31	9.88	11.19	11.63	11.50	11.50	11.56	11.81	12.81
six months	10.31	9.50	10.00	11.00	11.13	11.19	11.44	11.31	11.81	12.75
twelve months	10.31	9.81	10.19	10.88	11.06	11.00	11.19	11.13	11.69	12.63
Euroyen										
one month	6.75	6.25	6.19	6.25	6.44	6.75	7.50	8.19	7.13	6.38
three months	6.75	6.31	6.19	6.31	6.38	6.38	7.75	7.69	6.56	6.13
six months	7.10	6.38	6.13	6.25	6.31	6.38	7.38	7.19	6.50	6.06
twelve months	6.81	6.44	6.13	6.25	6.31	6.38	7.06	6.94	6.38	6.00
European currency unit										
one month	12.44	8.81	9.25	8.50	8.00	8.31	8.31	8.31	9.75	10.63
three months	12.31	9.19	9.38	8.50	8.50	8.50	8.50	8.50	9.75	10.13
six months	12.00	9.44	9.50	8.63	8.75	8.75	8.81	8.69	9.75	9.75
twelve months	11.19	9.63	9.63	8.75	8.88	8.88	8.75	8.75	9.19	9.13

International bond yields

average yield of several actively traded, high quality issues with a maturity of 7 to 12 years at or near end of month

	1983	1984	1985							1986
	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States companies										
Eurodollar	11.59	11.25	10.49	10.65	10.37	10.53	10.37	10.04	9.68	9.60
Euromark	7.34	6.95	6.91	6.74	6.67	6.74	7.13	6.95	6.73	6.73
Swiss franc	5.83	5.73	5.69	5.69	5.60	5.62	5.66	5.59	5.49	5.47
European governments										
Eurodollar	12.65	12.04	11.17	11.31	11.11	11.18	11.04	10.77	10.52	10.59
Euromark	8.12	7.39	7.38	7.17	6.89	6.96	7.23	7.14	7.03	6.95
Swiss franc	5.63	5.24	5.22	5.16	5.09	5.00	5.02	4.99	4.91	4.82
European currency unit	11.77	10.64	10.17	9.99	10.01	10.14	10.42	10.20	10.23	10.26

Central bank discount rates

at or near end of month

	1982	1983	1984	1985				1986	Current	
	Dec	Dec	Dec	Sep	Oct	Nov	Dec	Jan	Feb 7 1986	effective since
United States	8.50	8.50	8.00	7.50	7.50	7.50	7.50	7.50	7.50	May 17, 85
Canada	10.05	9.96	10.09	9.00	8.78	9.10	9.49	10.80	11.47	Feb 6, 86
Austria	4.75	3.75	4.50	4.00	4.00	4.00	4.00	4.00	4.00	Aug 19, 85
Belgium	11.50	10.00	11.00	9.50	9.00	8.75	9.75	9.75	9.75	Dec 23, 85
Denmark	10.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Oct 27, 83
Finland	8.50	9.50	9.50	9.00	9.00	9.00	9.00	8.50	8.50	Jan 1, 86
France	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	Aug 31, 77
Germany	5.00	4.00	4.50	4.00	4.00	4.00	4.00	4.00	4.00	Aug 16, 85
Ireland	14.00	12.25	14.00	10.25	10.25	10.25	10.25	11.75	13.75	Feb 3, 86
Italy	18.00	17.00	16.50	15.50	15.50	15.00	15.00	15.00	15.00	Nov 8, 85
Netherlands	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Aug 16, 85
Norway	9.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jun 6, 83
Portugal	19.00	25.00	25.00	23.00	23.00	19.00	19.00	19.00	19.00	Nov 27, 85
Spain	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jul 26, 77
Sweden	10.00	8.50	9.50	10.50	10.50	10.50	10.50	9.50	9.50	Jan 17, 86
Switzerland	4.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	Mar 18, 83
United Kingdom	10.00	9.00	9.38	11.31	11.31	11.31	11.31	12.06	12.06	Jan 9, 86
Japan	5.50	5.00	5.00	5.00	5.00	5.00	5.00	4.50	4.50	Jan 30, 86
New Zealand	13.00	7.50	13.50	27.50	24.80	20.90	n.a.	n.a.	n.a.	Nov, 85
South Africa	15.45	18.50	21.75	15.50	14.50	13.50	13.50	12.50	12.50	Jan 17, 86
Argentina*	10.56	15.10	18.19	5.50	5.00	5.00	5.00	5.00	n.a.	Oct, 85
Korea	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Mar 29, 82
Philippines	6.30	8.05	12.11	11.91	11.92	10.81	n.a.	n.a.	n.a.	Nov, 85
Singapore	7.00	7.00	6.75	5.00	5.00	5.00	5.00	5.00	5.00	Jul, 85
Thailand	12.50	13.00	12.00	11.00	11.00	11.00	11.00	11.00	11.00	Jul 26, 85
Venezuela	13.00	11.00	11.00	9.00	8.00	8.00	8.00	8.00	8.00	Oct 16, 85

Day-to-day money rates

monthly averages

	1982	1983	1984	1985							1986
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	8.95	9.47	8.38	7.51	7.88	7.90	7.92	7.99	8.05	8.27	8.14
Canada	10.63	8.78	10.50	9.56	9.27	8.97	8.53	8.58	8.81	9.23	9.94
Austria	6.00	5.75	7.63	6.13	6.13	5.38	4.88	5.50	6.75	7.25	6.13
Belgium	9.29	7.39	9.12	8.00	6.97	8.00	7.91	8.26	7.93	6.78	8.36
Finland	11.50	16.70	15.07	13.77	13.60	13.43	13.11	12.78	12.37	11.96	11.64
France	12.88	12.27	10.95	10.22	9.88	9.68	9.57	9.34	8.98	9.01	8.83
Germany	6.15	5.61	5.62	5.52	5.13	4.77	4.59	4.54	4.61	4.70	4.64
Ireland	14.54	12.19	14.50	12.00	11.50	10.75	9.50	9.38	8.50	9.62	12.00
Italy	19.00	17.88	17.25	15.25	15.00	14.53	14.38	14.35	14.59	n.a.	n.a.
Netherlands	5.31	5.84	5.60	6.81	6.63	5.92	5.74	5.87	5.78	5.75	5.75
Norway	11.00	12.30	12.50	13.10	12.30	12.70	11.80	12.25	12.50	12.40	13.00
Spain	20.18	16.77	12.11	13.93	12.39	12.99	10.86	8.99	10.49	9.78	8.44
Sweden	9.31	11.52	11.88	16.00	15.39	15.00	15.00	14.77	13.48	n.a.	12.50
Switzerland	1.25	1.88	1.50	2.00	2.00	2.50	2.00	1.25	0.75	2.00	2.00
United Kingdom	6.70	7.78	6.31	10.17	12.45	11.25	9.89	9.66	14.72	9.72	11.59
Australia	10.87	4.55	10.98	15.07	14.58	15.29	15.83	15.84	13.87	18.37	n.a.
Japan	6.92	6.44	6.41	6.13	6.19	6.17	6.41	6.56	7.40	8.02	6.95
South Africa	14.15	16.06	21.13	18.60	17.50	16.25	15.20	14.90	13.13	12.50	12.00
Argentina*	12.77	14.65	17.75	24.52	5.00	5.00	5.00	4.50	4.50	4.50	4.50
Brazil	150.42	184.69	272.02	239.40	214.19	194.90	230.30	237.20	n.a.	n.a.	n.a.
Hong Kong	9.13	13.90	6.80	6.35	4.95	2.74	4.71	4.38	5.43	6.10	5.93
Korea	13.84	11.40	10.00	9.00	9.50	9.70	9.40	9.60	9.00	8.80	8.50
Philippines	16.12	31.18	15.22	25.95	20.36	18.39	10.25	16.71	15.41	n.a.	n.a.
Singapore	11.45	7.05	6.01	5.18	4.94	4.37	5.34	5.79	4.49	4.53	4.84
Taiwan	9.94	7.65	8.07	6.47	6.79	8.33	6.81	5.30	5.06	4.50	4.25

*Percent per month.

Treasury bill rates

bond equivalent yields, at or near end of month

	1982	1983	1984	1985							1986
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	8.15	9.28	7.99	7.05	7.40	7.36	7.13	7.44	7.40	7.25	7.15
Canada	9.80	9.71	9.84	9.33	9.06	8.95	8.75	8.53	8.85	9.24	10.55
Belgium	12.42	11.00	10.90	9.02	9.63	9.63	9.28	8.92	8.72	9.89	9.89
Ireland	15.25	12.01	15.10	11.29	10.38	10.43	9.89	10.14	10.41	11.15	14.32
Italy	19.11	16.95	14.69	14.18	14.08	13.99	13.37	12.90	12.76	n.a.	n.a.
Netherlands	5.63	5.63	5.88	6.75	6.25	5.75	5.75	6.19	5.88	5.69	5.72
Spain	15.28	14.46	12.00	14.00	13.29	12.45	10.66	9.44	9.25	9.25	9.25
Sweden	12.90	11.75	11.63	16.64	15.04	15.00	15.33	14.37	13.28	12.49	11.70
United Kingdom	9.96	9.04	9.33	12.33	11.30	11.31	11.38	11.45	11.33	11.49	12.47
Australia	9.39	8.54	12.27	14.02	14.78	16.17	16.16	16.33	18.60	n.a.	n.a.
Japan	5.42	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91
New Zealand	11.25	7.80	13.50	21.00	24.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
South Africa	14.62	18.43	21.94	16.00	16.48	15.72	15.22	13.87	12.90	12.99	12.02
Brazil	115.40	179.15	273.03	209.88	223.13	258.13	266.85	231.35	n.a.	n.a.	n.a.
Mexico	57.44	53.78	48.67	62.47	74.99	70.56	n.a.	66.24	70.70	72.98	74.89
Philippines	14.54	15.99	47.14	33.43	29.59	21.60	18.01	17.04	16.63	n.a.	n.a.
Singapore	2.74	2.59	2.91	2.79	2.68	2.79	2.97	2.92	2.89	2.94	2.96

Representative money market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month

	1982	1983	1984	1985							1986
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	8.94	9.89	8.34	7.70	7.85	7.91	7.89	8.07	8.01	8.01	7.91
Canada	9.95	9.87	10.10	9.70	9.25	9.15	8.95	8.70	9.25	9.45	11.25
Belgium	12.52	11.15	10.85	9.02	9.02	9.73	9.48	8.97	8.72	9.89	9.89
France	12.75	12.19	10.69	10.25	10.00	9.75	9.44	9.25	8.87	9.12	8.93
Germany	6.20	6.30	5.75	5.60	5.00	4.65	4.65	4.95	4.80	4.80	4.60
Ireland	15.75	12.19	15.13	11.69	10.50	10.38	10.25	10.25	10.50	12.00	15.25
Italy	19.00	17.88	16.88	14.75	14.38	14.38	14.38	15.00	14.63	14.63	15.50
Netherlands	5.25	6.00	5.75	6.69	6.13	5.75	5.81	6.25	5.94	5.75	5.81
Portugal	15.05	24.11	24.57	24.57	24.65	22.63	22.69	22.69	22.49	n.a.	n.a.
Spain	16.97	18.99	12.16	14.06	13.80	13.03	11.17	10.16	10.13	10.13	10.37
Switzerland	3.88	3.88	5.00	5.38	5.38	4.63	4.69	4.69	4.13	4.75	4.43
United Kingdom	10.50	9.31	9.88	12.44	11.13	11.56	11.50	11.50	11.50	12.75	12.75
Australia	9.85	9.05	12.90	16.50	15.20	16.70	16.50	16.35	18.65	19.75	n.a.
Japan	6.96	6.45	6.33	6.30	6.29	6.30	6.33	7.11	7.55	7.03	6.12
New Zealand	16.75	12.10	15.25	24.00	25.30	26.75	27.20	24.95	20.50	n.a.	n.a.
South Africa	15.26	19.12	22.78	17.35	17.80	16.50	15.25	14.03	13.20	n.a.	12.55
Chile	55.90	20.68	20.68	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hong Kong	9.25	14.88	8.25	6.81	5.31	6.00	5.63	6.00	6.50	6.50	6.63
Indonesia	18.50	19.50	19.00	17.50	15.50	15.50	15.00	14.50	14.50	15.00	14.50
Korea	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Malaysia	8.50	9.80	10.30	7.75	7.00	8.50	7.50	7.25	8.25	8.20	8.30
Philippines	15.96	15.61	33.21	24.90	21.25	20.48	16.56	25.11	22.45	n.a.	n.a.
Singapore	8.69	8.44	7.00	5.31	5.13	4.56	6.38	5.81	5.44	5.88	5.53
Taiwan	n.a.	8.07	7.85	6.49	6.70	7.33	5.76	5.13	4.51	4.10	3.17
Thailand	12.25	16.00	12.00	13.00	12.00	12.00	12.00	13.50	15.00	15.50	11.50

Commercial bank deposit rates

at or near end of month

	1982	1983	1984	1985							1986
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	8.25	9.70	8.35	7.57	7.95	7.88	7.80	7.80	7.88	7.75	7.75
Canada	9.85	9.82	10.05	9.65	9.20	9.10	8.90	8.65	9.20	9.40	11.20
Austria	6.25	6.50	7.50	6.50	6.38	5.75	5.25	5.63	6.13	6.50	6.25
Belgium	12.25	11.25	10.63	8.75	9.50	9.31	9.13	8.75	8.50	9.63	9.88
Denmark	9.00	8.00	8.00	6.00	5.00	5.00	7.00	7.00	7.00	7.00	7.00
Finland	4.25	5.25	5.25	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.25
France	8.24	7.66	7.04	6.69	6.69	6.49	6.44	6.27	6.07	6.12	6.03
Germany	6.00	5.90	5.25	5.15	4.45	4.25	4.25	4.55	4.45	4.40	4.25
Ireland	15.25	11.75	14.63	11.25	10.00	10.00	9.50	9.88	10.25	11.87	15.25
Italy	13.25	13.25	11.64	10.88	10.86	10.86	n.a.	n.a.	n.a.	n.a.	n.a.
Netherlands	5.38	6.13	5.69	6.63	6.00	5.69	5.69	6.19	5.81	5.81	5.69
Norway	13.50	12.75	12.75	12.25	12.25	12.00	12.00	12.00	12.00	12.00	12.25
Portugal	15.00	21.50	28.00	27.00	27.00	24.00	24.00	24.00	20.00	20.00	20.00
Spain	12.53	12.62	11.64	10.55	10.55	10.49	10.42	10.20	9.90	9.64	n.a.
Sweden	12.15	11.70	11.45	16.57	14.95	14.61	13.90	14.08	12.71	12.18	12.45
Switzerland	3.00	3.50	4.50	5.13	4.63	4.38	4.25	4.50	3.75	4.50	4.25
United Kingdom	10.31	9.31	9.88	12.31	11.06	11.31	11.28	11.44	11.38	11.75	12.75
Australia	10.20	10.40	12.75	15.10	14.80	15.89	16.76	16.20	n.a.	19.00	n.a.
Japan	7.00	6.40	6.38	6.30	6.35	6.41	6.43	7.32	7.93	7.05	6.24
New Zealand	16.50	11.50	15.25	23.00	24.50	25.00	23.00	24.50	21.25	n.a.	n.a.
South Africa	15.25	20.13	22.88	18.00	18.50	17.25	16.00	15.00	13.20	n.a.	12.70
Argentina*	8.50	14.50	31.23	7.00	7.00	7.00	5.30	4.80	5.25	5.40	5.40
Brazil	21.00	23.00	27.00	24.00	23.00	21.00	19.00	18.00	n.a.	n.a.	n.a.
Chile	47.09	20.57	20.68	28.80	29.20	n.a.	15.08	16.79	18.25	20.68	18.25
Hong Kong	9.25	14.88	8.25	6.81	5.31	6.00	5.63	6.00	6.50	6.50	6.63
Korea	7.60	7.60	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Malaysia	8.40	7.75	9.58	8.17	8.17	8.17	8.17	7.00	7.00	7.00	7.00
Mexico	52.54	57.15	47.45	59.50	64.35	65.20	65.80	66.80	69.60	72.90	73.60
Philippines	14.10	14.96	31.01	25.95	18.60	17.35	14.26	12.45	12.42	n.a.	n.a.
Singapore	6.25	7.44	6.13	5.07	4.88	4.51	6.38	5.81	5.01	5.26	5.01
Taiwan	7.50	7.00	6.50	6.00	6.00	6.00	5.75	5.75	5.25	5.25	5.25
Thailand	10.00	10.00	13.00	13.00	10.50	10.00	10.50	10.50	10.50	10.50	10.50
Venezuela	15.50	12.00	12.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00

*Percent per month.

Domestic government bond yields

long-term issues, at or near end of month

	1982	1983	1984	1985							1986
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	10.61	12.00	11.61	10.62	10.91	10.63	10.67	10.62	10.06	9.49	9.45
Canada	11.69	12.02	11.66	10.88	10.91	10.79	10.96	10.72	10.34	10.04	10.49
Austria	8.81	8.02	8.04	7.87	7.77	7.58	7.34	7.38	7.55	7.61	7.62
Belgium	12.66	11.89	11.56	10.34	10.50	10.59	10.42	9.65	9.43	9.60	n.a.
Denmark	20.14	12.96	14.60	12.16	10.76	10.72	11.23	10.79	10.50	9.67	10.12
Finland	10.64	11.16	10.73	10.46	10.48	10.42	10.35	10.36	10.50	10.58	9.74
France	15.40	13.96	12.70	12.12	11.87	11.96	11.97	11.59	11.22	11.33	n.a.
Germany	7.90	8.38	7.17	7.02	6.88	6.52	6.55	6.90	6.91	6.57	6.64
Ireland	14.54	14.25	14.90	12.71	11.20	11.74	11.92	11.84	12.10	11.84	11.92
Italy	19.70	17.69	14.52	13.87	14.08	14.04	13.74	13.75	13.70	13.79	n.a.
Netherlands	8.16	8.58	7.72	7.39	7.23	6.92	6.87	7.03	7.01	6.96	6.81
Norway	13.32	12.50	12.00	12.70	12.70	12.70	12.70	12.70	12.70	13.10	13.10
Portugal	16.63	22.11	22.23	22.23	20.34	20.14	n.a.	n.a.	n.a.	n.a.	n.a.
Spain	15.46	17.25	13.93	13.79	14.48	14.37	13.92	12.58	12.12	12.30	12.35
Sweden	13.01	12.30	12.04	13.48	12.98	13.22	13.54	13.40	13.10	12.11	12.23
Switzerland	4.23	4.53	4.60	4.78	4.80	4.69	4.66	4.57	4.53	4.52	4.47
United Kingdom	10.62	9.94	10.25	10.45	10.16	10.22	10.15	10.16	10.17	10.35	10.56
Australia	13.00	13.65	13.50	13.50	13.30	13.95	13.80	14.55	15.05	14.85	n.a.
Japan	7.96	7.45	6.36	6.53	6.38	6.46	6.36	6.55	6.84	6.10	6.10
New Zealand	12.84	10.50	16.90	17.33	17.86	17.80	18.35	18.10	17.00	n.a.	n.a.
South Africa	11.31	13.64	16.55	15.15	15.90	16.20	16.65	17.50	17.50	n.a.	17.57
Philippines	13.64	14.47	18.54	17.00	13.29	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Venezuela	15.00	13.50	14.00	12.50	12.00	12.00	12.00	12.00	12.00	12.00	12.25

Commercial bank lending rates to prime borrowers

at or near end of month

	1982	1983	1984	1985							1986
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	11.50	11.00	10.75	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Canada	12.50	11.00	11.25	10.50	10.50	10.25	10.25	10.00	10.00	10.00	11.50
Austria	11.75	9.25	9.25	9.25	9.25	9.25	9.25	9.00	9.00	9.00	9.00
Belgium	15.50	13.75	14.00	12.00	12.00	12.50	12.00	11.50	11.00	11.50	12.25
Denmark	14.00	10.00	10.50	10.50	9.50	9.50	8.50	8.50	8.50	8.50	8.50
Finland	8.95	10.18	10.68	10.37	10.40	10.43	10.42	10.43	10.40	10.40	10.37
France	12.25	12.25	12.00	11.25	10.85	10.85	10.85	10.85	10.60	10.60	10.60
Germany	8.75	7.75	7.75	7.75	7.75	7.25	7.25	7.25	7.25	7.25	7.25
Ireland	16.50	13.75	15.75	14.00	13.25	13.50	12.50	12.50	12.50	12.50	13.50
Italy	20.75	18.75	18.00	17.00	17.00	17.00	17.00	16.50	16.00	n.a.	n.a.
Netherlands	6.25	7.00	6.25	7.75	7.25	6.25	6.25	6.38	6.50	6.25	6.25
Norway	14.50	13.50	13.00	12.70	12.90	13.10	12.70	12.90	12.80	12.40	13.50
Portugal	23.50	30.00	29.00	29.00	29.00	26.50	26.50	26.50	22.50	22.50	22.50
Spain	16.90	17.31	15.84	15.53	15.53	15.49	15.36	14.98	14.80	14.75	14.69
Sweden	15.00	13.50	14.50	16.25	15.25	15.25	15.25	14.75	14.75	15.05	14.00
Switzerland	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
United Kingdom	10.00	9.00	9.50	12.50	11.50	11.50	11.50	11.50	11.50	11.50	12.50
Australia	15.00	12.75	14.00	17.75	17.75	17.75	18.50	18.50	19.50	21.00	20.25
Japan	6.28	5.89	5.70	5.69	5.69	5.69	5.69	5.69	5.69	5.75	5.70
New Zealand	13.00	11.00	14.00	25.00	24.00	22.00	23.00	22.50	21.50	n.a.	n.a.
South Africa	18.00	20.00	24.00	22.00	21.00	21.00	19.50	17.50	16.50	16.50	15.50
Argentina*	9.00	15.50	32.05	8.50	8.50	9.00	5.75	5.60	7.25	7.30	7.00
Brazil	23.81	24.00	31.00	25.00	24.56	21.00	19.00	19.00	n.a.	n.a.	n.a.
Chile	64.11	30.90	60.82	47.28	51.47	n.a.	35.53	32.36	31.88	33.34	33.46
Hong Kong	10.50	13.50	11.00	8.00	8.00	7.00	7.00	7.00	7.00	7.00	n.a.
Indonesia	22.00	19.75	23.50	21.50	20.75	20.25	19.50	19.00	19.00	18.75	18.50
Korea	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Malaysia	12.50	11.00	12.00	11.00	11.00	11.00	11.00	10.50	10.50	10.50	10.50
Mexico	46.12	56.44	47.54	54.92	57.00	59.06	60.98	62.29	63.39	65.66	9.50
Philippines	18.00	18.00	44.00	32.00	27.00	23.00	n.a.	n.a.	15.50	n.a.	n.a.
Singapore	9.33	8.98	9.40	8.28	8.03	7.28	7.20	7.23	7.20	7.20	7.20
Taiwan	10.75	10.25	10.00	10.00	10.00	10.00	9.75	9.75	9.50	9.50	9.50
Thailand	16.00	16.00	16.50	16.50	16.50	15.50	15.50	15.50	15.50	15.50	15.50
Venezuela	17.00	16.00	16.00	14.00	14.00	14.00	14.00	14.00	13.00	13.00	13.00

*Percent per month.

Domestic corporate bond yields

long-term issues, at or near end of month

	1982	1983	1984	1985							1986
	Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
United States	11.75	12.63	12.25	11.25	11.65	11.38	11.50	11.25	10.75	10.15	10.38
Canada	12.74	12.89	12.42	11.27	11.62	11.49	11.56	11.26	10.98	10.74	n.a.
France	15.86	14.35	12.94	12.19	12.06	12.17	12.36	12.03	11.84	11.65	11.35
Germany	8.20	6.30	7.20	7.10	7.10	6.90	6.80	6.90	7.00	6.90	n.a.
Netherlands	7.80	8.51	7.51	7.41	7.28	7.28	n.a.	n.a.	n.a.	n.a.	n.a.
Norway	14.13	13.25	12.75	13.50	13.50	13.50	13.50	13.50	13.50	14.00	n.a.
Spain	17.10	20.07	18.32	16.46	16.27	16.37	16.47	15.81	15.80	14.92	14.87
Sweden	13.37	12.21	12.33	13.75	13.25	13.25	13.50	14.00	13.50	13.25	13.21
Switzerland	5.80	4.92	5.09	5.15	5.09	5.05	5.02	4.99	4.99	4.93	4.78
United Kingdom	12.54	11.57	11.64	11.54	11.22	11.22	11.17	11.14	11.18	11.47	11.59
Japan	7.55	7.09	6.21	6.63	6.55	6.46	6.36	6.26	7.56	6.90	6.70
Korea	16.00	14.20	15.00	14.30	14.10	13.90	13.80	13.70	13.60	13.60	13.00
Venezuela	18.00	18.00	18.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.50

Key to data in tables

I. International markets

Data on the *international banking market size* are based on resident and nonresident Eurocurrency (i.e., foreign currency) assets and liabilities and on nonresident domestic currency assets and liabilities of banks in nearly all European countries, the Bahamas, Bahrain, Canada, Cayman Islands, Hong Kong, Japan, Netherlands Antilles, Panama, Singapore, and the United States. All assets and liabilities of international banking facilities (IBFs) of banks in the United States are treated as Eurocurrencies.

An *international bond issue* may be either a Eurobond issue or a foreign bond issue. A *Eurobond issue* is one placed principally in countries other than that of the currency in which the bond is denominated, usually through an international syndicate. A *foreign bond issue* is one issued by a nonresident borrower on the market of a single country and denominated in that country's currency. Data on new international bond issue volume include all publicly announced issues of straight bonds, convertibles, bonds with warrants, floating rate notes, and certificates of deposit with an original maturity of three years or more (one year or more beginning in 1985), whether publicly or privately placed.

An *international bank credit* may be either a Eurocurrency credit or a foreign credit. A *Eurocurrency credit* is one denominated in a currency that is foreign to the country of the bank office extending the credit. *A foreign credit* is one extended to a nonresident borrower and denominated in the domestic currency of the country in which the bank office extending the credit is located. Data on new international bank credit volume include all publicly announced bank credits with an original maturity of one year or more (term loans, revolving lines of credit, and facilities to back up the issuance of other financial instruments such as commercial paper, short-term notes, certificates of deposit and banker's acceptances).

Data on international bond issues and bank credits through 1984 were compiled by Morgan Guaranty Trust Company. Beginning in January 1985 these data are based on figures published in the OECD's *Financial Statistics Monthly*.

II. Domestic markets

Central bank discount rates

Rates shown are the official discount rates with the exception of:

Ireland — Short Term Facility rate.

South Africa — discount rate for 90-day banker's acceptances.

United Kingdom — rate of discount for outright purchases of 15- to 33-day bank bills.

Day-to-day money rates

Argentina—7-day interbank money regulated by the central bank.

Austria — day-to-day interbank rate.

Australia — effective interest rate in the official short-term money market.

Belgium — day-to-day loan rate in the call money market.

Brazil — interbank overnight money.

Canada—chartered banks' day-to-day loans.

Finland — Bank of Finland call money.

France — interbank call money against private paper.

Germany — interbank call money.

Hong Kong — interbank 24-hour call rate.

Ireland — interbank call money.

Italy — interbank 48-hour call money.

Japan—Tokyo interbank call money, unconditional lenders rate.

Korea — call money.

Netherlands — open-market call money.

Norway — day-to-day interbank rate.

Philippines — interbank call loan rate.

Singapore — interbank overnight money.

South Africa — discount houses basic call rate.

Spain — day-to-day interbank rate.

Sweden — interbank call money.

Switzerland — call money.

Taiwan — private interbank overnight loan rate.

United Kingdom — call money.

United States — federal funds rate.

Treasury bill rates

Australia — 13-week Treasury notes at tender.

Belgium — new issue of 3-month Treasury certificates.

Brazil — 3-month Treasury bills.

Canada — 3-month Treasury bills at tender.

Ireland — 3-month central bank exchequer bills at tender.

Italy — 6-month Treasury bills.

Japan — 60- to 62-day noninterest-bearing discount government bills.

Mexico — 3-month Federal Treasury bills.

Netherlands — 3-month Treasury bills.

New Zealand — 3-month Treasury bills.

Philippines — simple average of 91-day Treasury bills at tender until June 1984. Beginning July 1984 rates refer to the weighted average interest rate on 91- to 183-day Treasury bills sold to banks under negotiated basis.

Singapore — 91-day Treasury bills at tender.

South Africa — 3-month Treasury bills at tender.

Spain — 6-month Treasury bills at tender until March 1984. As of April 1984, 3-month Treasury bill repos reported by the Bank of Spain (average of quotations during the month).

Sweden — new issues of 3-month Treasury bills until June 1982. New series as of July 1982, 6-month Treasury discount notes, market rate.

United Kingdom — 91-day Treasury bills at tender.

United States — 3-month Treasury bills.

Representative money-market rates

Australia — buying rate for 90-day bank accepted commercial bills.

Belgium — 4-month Fonds des Rentes certificates.

Canada — 3-month prime finance company paper.

Chile — central bank 60-day fixed rate promissory notes (PDBC) at tender.

France — 3-month interbank money against private paper.

Germany — 3-month interbank deposits.

Hong Kong — 3-month interbank deposits.

Indonesia — 1-month interbank deposits.

Ireland — 3-month interbank deposits.

Italy — 3-month interbank deposits.

Japan — 3-month "gensaki" rate.

Korea — 3-month financial bill.

Malaysia — 3-month interbank deposits.

Netherlands — 3-month interbank deposits.

New Zealand — 90-day commercial bills.

Philippines—weighted average interest rate for 90-day promissory rates.

Portugal — average of 30- to 90-day interbank deposits.

Singapore — 3-month banker's acceptances.

South Africa—90-day banker's acceptances.

Spain — 3-month interbank rate reported by the Bank of Spain (average of quotations during the month).

Switzerland — 3-month interbank deposits.

Taiwan — 90-day banker's acceptances.

Thailand — interbank call money.

United Kingdom — 3-month interbank deposits.

United States — 3-month prime industrial paper.

Commercial bank deposit rates

Argentina — nominal 30-day time deposits. Average of bank rates published by the central bank until August 1984. New series as of September 1984, 30-day acceptances maximum interest rate.

Austria — 3-month time deposits.

Australia — 3-month certificates of deposit.

Belgium — special maximum rate for 3-month time deposits in large amounts.

Brazil — 6-month certificates of deposit with prefixed yields until July 1982. New series as of August 1982, 6-month certificates of deposit reported as a spread above monetary correction which is set every month in relationship to inflation.

Canada — 3-month time deposits.

Chile — 30-day time deposits.

Denmark — time deposits of 3-months' notice.

Finland — time deposits of six-month notice.

France — 3-month time deposits of FF. 1,000,000.

Germany — 3-month time deposits in large amounts.

Hong Kong — negotiable 3-month time deposits of more than HK$500,000.

Ireland — 3-month deposits.

Italy — 3-month time deposits of Lit. 100 million or more.

Japan — 90-day negotiable certificates of deposit issued by the Tokyo office of Morgan Guaranty Trust Company.

Korea — 3-month time deposits.

Malaysia — 3-month time deposits.

Mexico — 3-month certificates of deposit until September 1983. New series as of October 1983, 3-month promissory notes.

Netherlands — 3-month time deposits in large amounts.

New Zealand — 6-month transferable certificates of deposit.

Norway — 3-month special term deposits.

Philippines — weighted average interest rates on 60- to 90-day time deposits of sample commercial banks.

Portugal — 90- to 180-day time deposits until May 1984. New series as of June 1984, 180-day to one-year time deposits.

Singapore — 3-month certificates of deposit.

Key to data in tables — continued

South Africa — 3-month negotiable certificates of deposit.
Spain — deposits over 6 months and less than 1 year for Pts. 1 million or more reported by the Bank of Spain.
Sweden — 3-month certificates of deposit.
Switzerland — 3-month time deposits.
Taiwan — maximum rate for 3-month time deposits.
Thailand — 3-month time deposits.
United Kingdom — 3-month time deposits.
United States — 3-month negotiable certificates of deposit issued by Morgan Guaranty Trust Company.
Venezuela — 6-month negotiable certificates of deposit for domestic depositors only.

Domestic government bond yields

Austria — Austrian National Bank average yield on all outstanding government bonds.
Australia — secondary market yield for 10-year Treasury bonds.
Belgium — Belgium National Bank secondary market average yield on central government bonds of more than 5 years' maturity quoted on Brussels Stock Exchange.
Canada — Bank of Canada average yield on all direct government bonds due or callable in 10 years or more.
Denmark — 12% serial bonds maturing 2001 until April 1983. New series as of May 1983, 10% serial bonds maturing 2004.
Finland — rate of interest at issue on central government bonds intended for public subscription, weighted by sales of bonds in the latter half of each month.
France — INSEE secondary market weighted average yield of public sector bonds with a remaining maturity of 10 years or more.
Germany — Frankfurter Allgemeine Zeitung 10-year public authority bond average.
Ireland — 15-year government bonds.
Italy — average yield on fixed-interest government bonds, not including irredeemable bonds, weighted by the amounts in circulation, for maturities of 9 years or more.
Japan — average yield of national government bonds with maturities of 10 years or more.
Netherlands — Central Bureau of Statistics (CBS) average yield on three latest government bonds.
New Zealand — average yield on government bonds maturing after 10 years.
Norway — 5% government bond of 1996 until December 1982. New series as of January 1983, average yield of long-term government bonds.
Philippines — weighted average interest rate of outright sales on secondary transactions for central bank certificates of indebtedness.
Portugal — yield of 4% Centenary Loan of 1940.
South Africa — 25-year government bonds until August 1983; 20-year Republic of South Africa bonds until April 1984; new series as of May 1984, secondary market yield for the 13% due 2005 Republic of South Africa bond.
Spain — Bank of Spain secondary market weighted average yield of several central government issues with more than 2 years' maturity (average of quotations during the month).
Sweden — 15-year government bonds until October 1983. New series as of November 1983, 5-year government bond yield index, market rate.
Switzerland — Swiss Confederation bond average.
United Kingdom — F.T. (*Financial Times*) Actuaries 25-year government stock.
United States — Morgan Guaranty 20-year U.S. Government Bond Index.
Venezuela — Banco Central average yield on public-sector bond issues.

Commercial bank lending rates to prime borrowers

Argentina — average rate on 30-day loans.
Austria — overdraft rate for prime borrowers, including commission.
Australia — overdraft rate. Maximum indicator rate applying to loans of A$100,000 or more for major trading banks.
Belgium — prime overdraft rate.
Brazil — prefixed rate applied to working capital loans until July 1982; monetary-corrected free rate applied to working capital loans from August 1982 to July 1983. New series as of August 1983, maximum legal rate reported as a spread above monetary correction which is set every month in relationship to inflation. Charges for fees and commissions are often added.
Canada — prime rate.
Chile — average prime rate of six major commercial banks.
Denmark — approximate rate for loans and advances to prime borrowers.
Finland — average rates on total commercial bank lending.
France — base lending rate, excluding a commission of .05% per month on highest debit balance during the month. A spread above base rate is often added.
Germany — approximate effective overdraft rate for prime borrowers.
Hong Kong — prime lending rate set by the Hong Kong Association of Banks.
Indonesia — prime rate for domestic affiliates of foreign companies.
Ireland — AA corporate borrowing rate.
Italy — unsecured overdraft rate for prime borrowers.
Japan — average contracted interest rate for short-term loans of city banks. In addition, compensating balances may be required.
Korea — prime rate.
Malaysia — Bank of Commerce Berhad base lending rate.
Mexico — base rate or average cost of money for banks determined monthly by the Banco de Mexico S.A.
Netherlands — overdraft rate for prime borrowers, including commission.
New Zealand — overdraft rate for prime borrowers.
Norway — overdraft rate, including a commission of .25% per quarter on the total line of credit until January 1983. New series as of February 1983, special rate of first class, large borrowers.
Philippines — prescribed administrative ceiling for unsecured loans with maturities of 365 days and below, including charges until December 1982. New series as of January 1983, modal rate to prime borrowers.
Portugal — maximum rate for 90- to 180-day loans.
Singapore — most common overdraft rate, major banks.
South Africa — unsecured overdraft rate for prime borrowers.
Spain — private banks' average interest rate for 1-year loans reported by the Bank of Spain.
Sweden — overdraft rate for prime industrial borrowers, commission not included.
Switzerland — unsecured overdraft rate for prime borrowers, excluding commission of .25% per quarter on average or highest outstanding debit balance in quarter.
Taiwan — maximum rate for 3- to 12-month secured loans. Rate is an indication only and may vary from actual bank lending rate which is subject to volatile interbank rates.
Thailand — prime rate.
United Kingdom — clearing bank base lending rate. A spread above base rate is often added.
United States — prime rate of Morgan Guaranty Trust Company.
Venezuela — representative rate for domestic prime borrowers only.

Domestic corporate bond yields

Canada — McLeod, Young, Weir Co. Ltd., weighted long-term bond yield index for AA corporates.
France — INSEE secondary market weighted average yield of private company bonds with a remaining maturity of 10 years or more.
Germany — Bundesbank secondary market weighted average yield of industrial bonds with a remaining maturity of more than 3 years.
Japan — secondary market yield for NTT bond maturing March 1987.
Korea — average of yields on 3-year corporate bonds guaranteed by local banks.
Netherlands — CBS average yield on three 6%-6.5% corporate bonds until December 1981. As of January 1982, CBS secondary market weighted average yield on all commercial bank issues with a quotation between 92% and 103%.
Norway — 5.75% Dalen Portland-Cement bond of 1969-1984 until December 1982. New series as of January 1983 average yield of long-term industrial bonds.
Spain — Bank of Spain seconary market weighted average yield of several corporate issues with more than 3 years' maturity (average of quotations during the month).
Sweden — Central Satistical Bureau average yield on industrial bonds.
Switzerland — average yield on outstanding bonds of four leading Swiss companies. Mixture changed as of January 1982.
United Kingdom — *Financial Times* secondary market average yield of industrial and financial company debentures and loan stocks with an average of 25 years to maturity.
United States — Salomon Brothers index of new issues yields for Aa industrial bonds with five-year call protection.
Venezuela — average of yields on 15-year bond issues of Electricidad de Caracas.

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